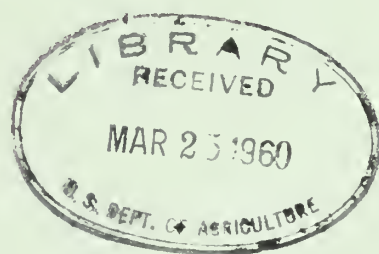


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Agricultural Programs and the Federal Budget



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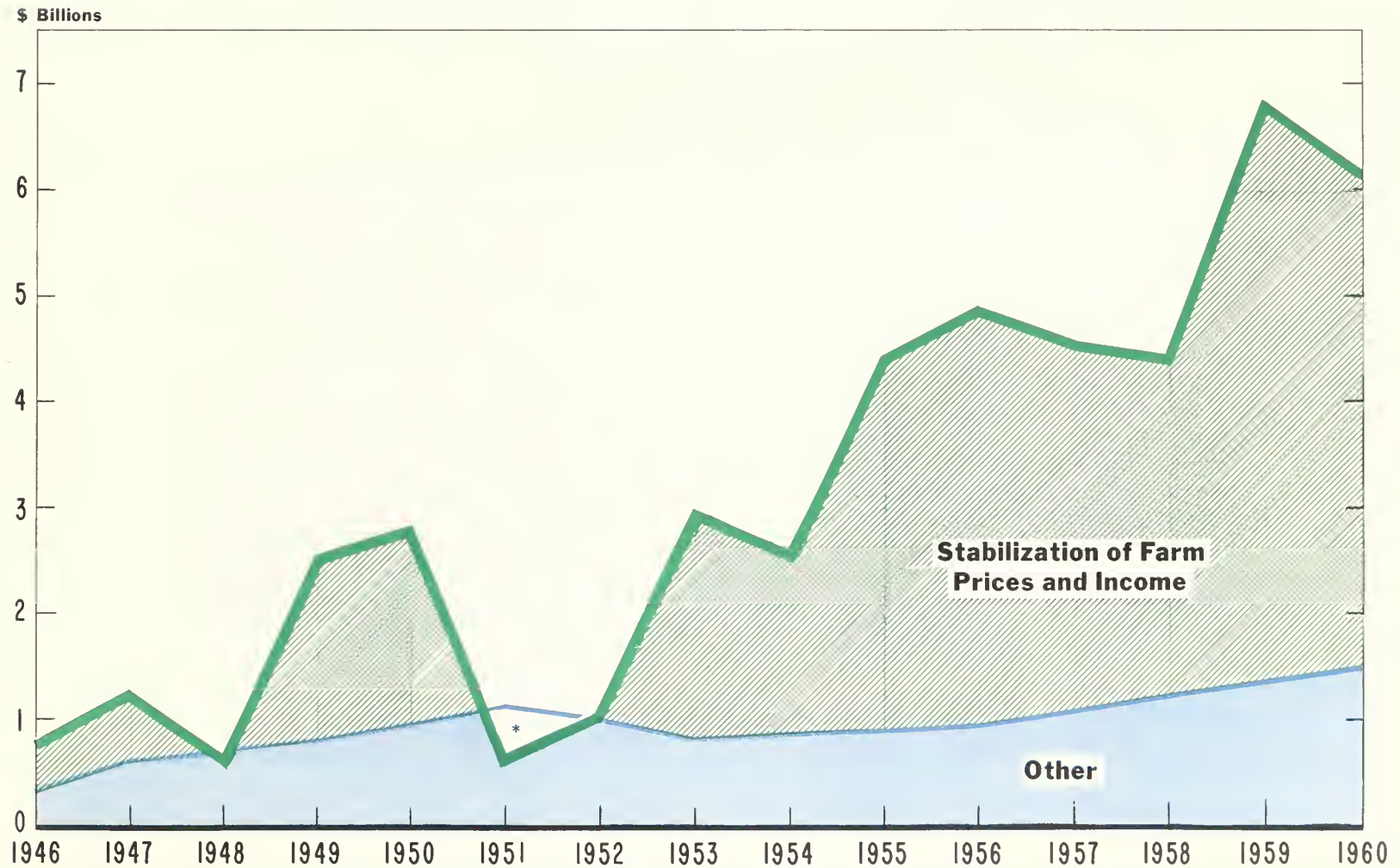
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The following charts present the factual picture with respect to the fiscal implications, investment in inventories and loans, and carryover of stocks which resulted from the operation of previous price support programs, together with a projection as to the effect of the continuance of present legislation. These charts supply background information which may be useful in providing a better understanding of the effect of present agricultural price support policies on the Federal budget, the status of the Federal Government's investment in price support inventories and loans, and the historical trend in production, consumption, and carryover of wheat, feed grains and cotton, which represent the major part of the agricultural surpluses acquired under present price support legislation.

Chart 1 - Explanatory Note

Agricultural expenditures are at record levels. The net withdrawal of funds from the Treasury (budget expenditures) for agricultural programs related to the stabilization of farm prices and income was estimated in the 1960 budget document at a new high of \$5.4 billion for the fiscal year 1959. This compared with \$3.2 billion for the 1958 fiscal year, the increase reflecting the all-time high crop production in the calendar year 1958--11 percent greater than the previous record--due to record yields and the levels of price support. Based on yields for 1959 crops assumed at the average for the crop years 1956-58, 1960 expenditures in this category are currently estimated at about \$4.6 billion. These 1959 and 1960 expenditure estimates compare with an average of about \$3.5 billion in the four fiscal years, 1955-58, and with \$2.1 billion in 1953. Most of these stabilization expenditures are mandatory under present legislation.

BUDGET EXPENDITURES FOR AGRICULTURE AND AGRICULTURAL RESOURCES, 1946-60



SOURCE: Bureau of the Budget and Department of Agriculture

*Stabilization of Farm Prices and Income reflects net budget receipts.

Chart 2 - Explanatory Note

Government funds invested in commodities are increasing. Current reviews indicate that the CCC investment in loans and inventories will reach \$9.8 billion by June 30, 1960 (\$8.4 billion in inventories and \$1.4 billion in loans). On June 30, 1952, during the Korean War, the total investment was \$1.4 billion, and the greatest increase that has occurred since 1952 took place in the fiscal years 1953 and 1954. The total was \$6.0 billion on June 30, 1954, four times as great as 2 years earlier. It increased to \$8.2 billion by June 30, 1956, but was reduced, primarily by commodity disposal programs and by the soil bank, to \$7.0 billion by June 30, 1958. It is estimated that, due to the record 1958 crop production, the investment will amount to \$8.9 billion by June 30, 1959.

This build up in investment has occurred despite the fact that since July 1, 1953, CCC has disposed of about \$16 billion in acquired commodities.

Wheat alone will account for nearly 35% of the total investment by June 30, 1960, and wheat and feed grains together will account for nearly 78%. These investments result from expenditures which are mandatory under present legislation.

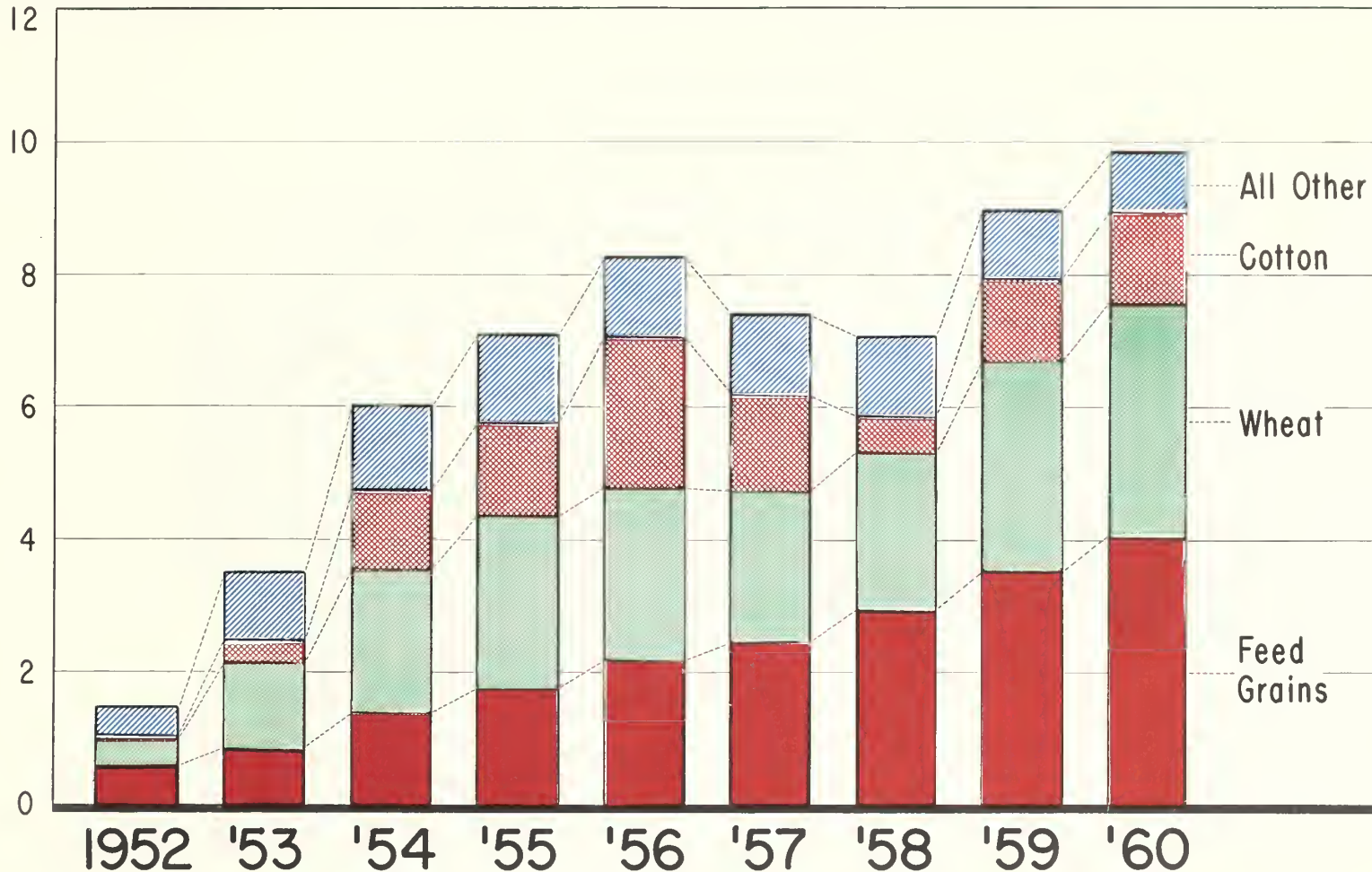
COMMODITY CREDIT CORPORATION

CHART 2

INVESTMENT IN COMMODITY LOANS AND INVENTORIES

FISCAL YEARS

Billions of Dollars



Note: Feed Grains include corn, barley, grain sorghums, oats and rye.

Chart 3 - Explanatory Note

Storage and transportation costs and interest expense are increasing. Increased quantities of commodities in CCC inventories are reflected in larger outlays for storage, transportation, and interest. Only a small part of this outlay goes to farmers. These costs on inventories plus interest on other funds borrowed by the CCC to finance price support loans and other related items will rise to \$1.3 billion for the fiscal year 1960. The total for the fiscal year 1958 exceeded \$1 billion, but due to lower interest rates which prevailed at the time CCC borrowings were refinanced with the Treasury at the beginning of the fiscal year 1959, the total for that year is expected to be \$832 million. Storage and transportation costs alone in the fiscal year 1960 will amount to \$857 million, or \$2-1/3 million per day. The largest single item is wheat, for which storage costs in 1960 will total over \$300 million.

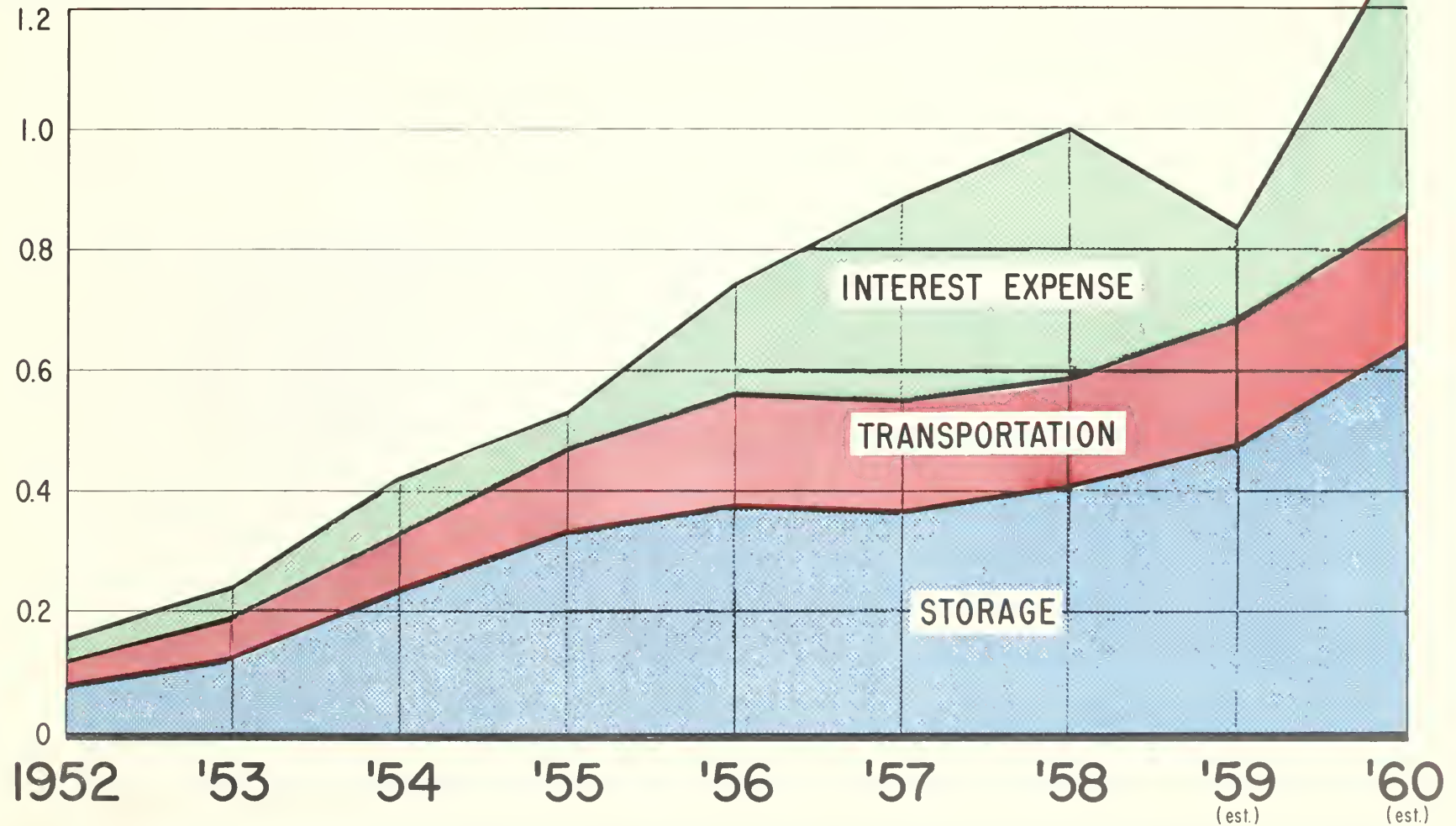
Until inventories can be reduced the Government will continue to be confronted with large annual outlays for storage, transportation, and interest.

COMMODITY CREDIT CORPORATION

CHART 3

*STORAGE AND TRANSPORTATION COSTS AND INTEREST EXPENSE
INCURRED DURING THE FISCAL YEARS 1952 THROUGH 1960*

Billions of Dollars

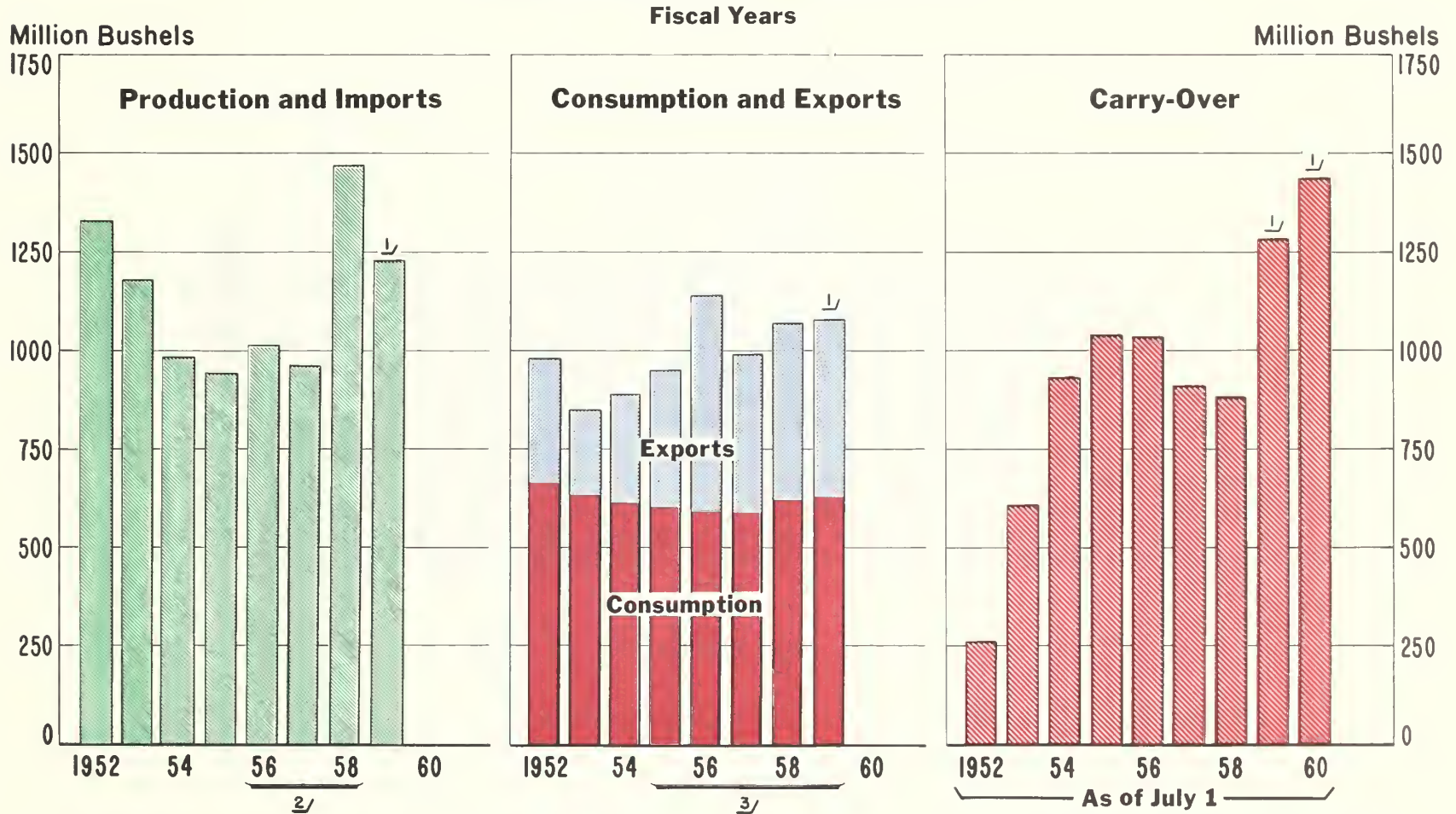


Source: Department of Agriculture

Chart 4 - Explanatory Note

Wheat supplies are a major problem. By July 1, 1960, the U. S. carryover of wheat is expected to reach 1,435 million bushels, nearly 2-1/2 times the annual domestic consumption. The annual carryover was reduced from 1,036 million bushels on July 1, 1955, to 881 million on July 1, 1958, but the extraordinary yield on the 1958 crop raised the carryover to 1,285 million bushels on July 1, 1959, despite relatively heavy exports and domestic use. All wheat exports are subsidized. Moreover, a major part of the wheat exports are sold for foreign currencies under P.L. 480, and not for dollars.

WHEAT PRODUCTION, DOMESTIC CONSUMPTION AND EXPORTS, AND WHEAT CARRY-OVER

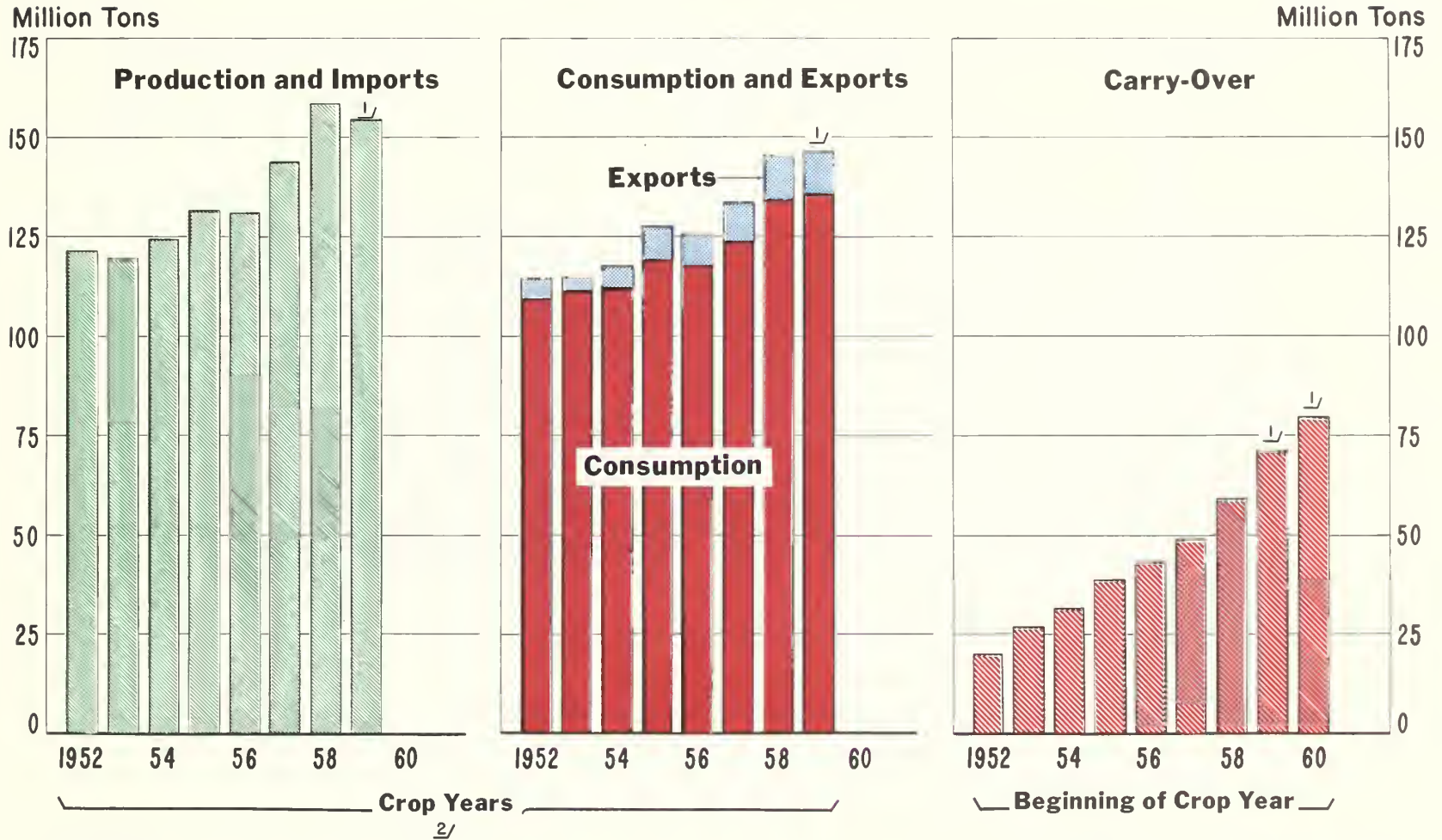


SOURCE: US Department of Agriculture

Chart 5 - Explanatory Note

Feed grain carryovers are also increasing. Corn, oats, grain sorghums, and barley stocks have risen from 20.1 million tons at the beginning of the marketing year 1952 to 59.1 million tons for 1958, and it is expected they will rise to 79.4 million tons by the beginning of the marketing year 1960. Annual domestic consumption and exports have risen in the same period from 114.5 million tons in 1952 to an estimated 146.6 million tons in 1959. The estimated stocks on hand at the end of the 1959 year (79.4 million tons) will amount to a little more than one-half the total consumption and exports in that year. Domestic livestock feeding is the major outlet for these grains, and there is evidence of a considerably heavier use in the current year than earlier anticipated. Most feed grain exports are subsidized. Moreover, substantial quantities are sold for foreign currencies under P.L. 480.

FEED GRAIN PRODUCTION, CONSUMPTION AND EXPORTS, AND CARRY-OVER

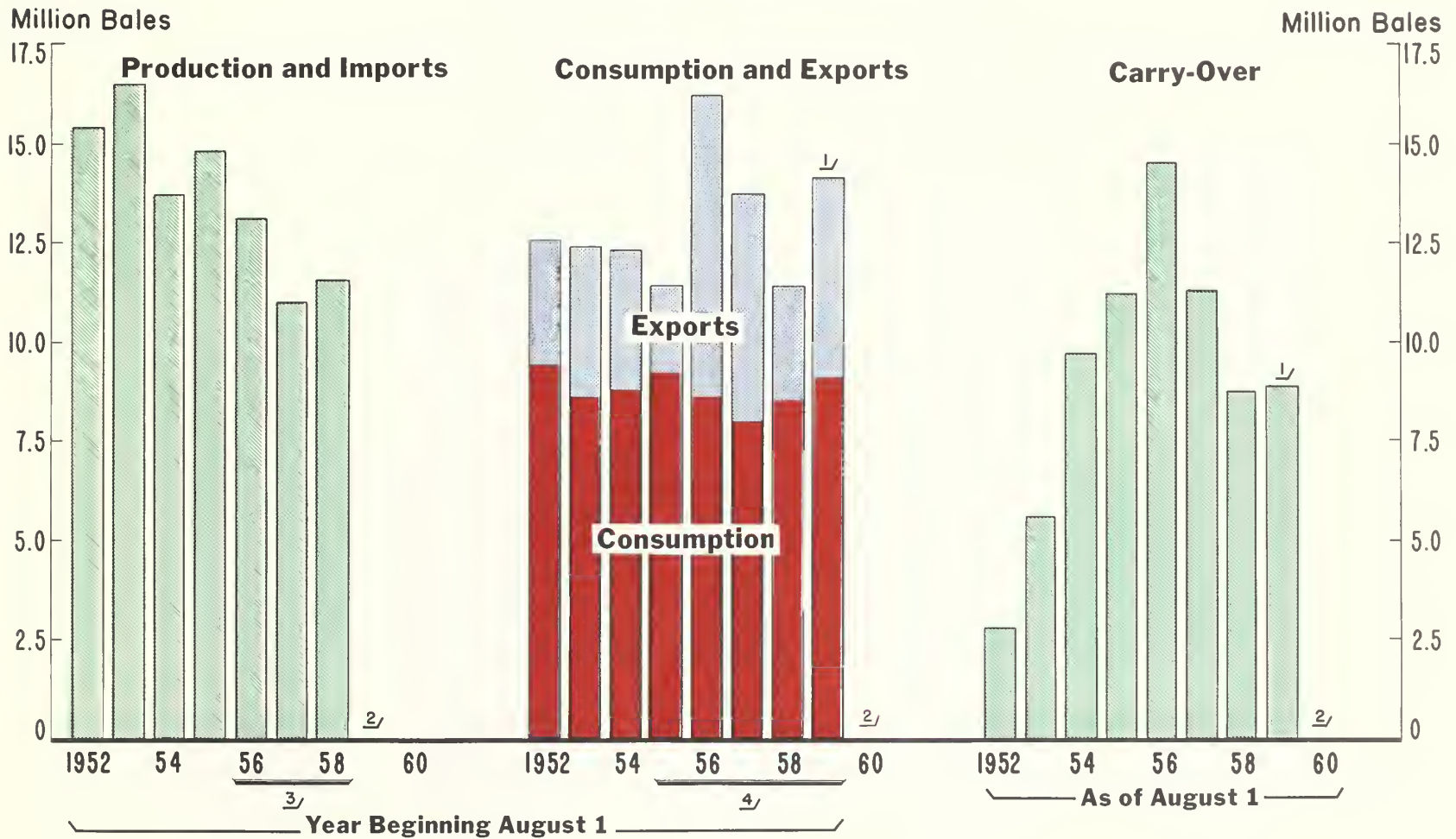


SOURCE: US Department of Agriculture

Chart 6 - Explanatory Note

Cotton problems are increasing. Cotton carryovers have been reduced from 14.5 million bales on August 1, 1956, to 8.7 million bales on August 1, 1958. Heavy exports, except in 1958, decreased production and increased domestic use have all been important factors in this trend. However, the beginning carryover for 1959 was 150,000 bales greater than a year earlier, and with a considerable increase in acreage available for the 1959 crop due to the Agricultural Act of 1958, and because of discontinuance of the Acreage Reserve Program, production is expected to increase considerably. Acreage is expected to increase from 12.4 million acres for the 1958 crop to something less than 17 million acres for the 1959 crop. Despite heavy exports and increased domestic use anticipated in 1959, this increase in acreage undoubtedly will cause a further considerable increase in carryover stocks on July 1, 1960. All cotton exports are subsidized. Substantial quantities are sold for foreign currencies under P.L. 480.

COTTON PRODUCTION, DOMESTIC CONSUMPTION AND EXPORTS, AND CARRY-OVER



SOURCE: US Department of Agriculture

Chart 7 - Explanatory Note

Longer-term prospects are for increased Government investment in price-support under present laws. An advance projection of CCC investment in price support loans and inventories with programs continued under present legislation indicates the total will rise to nearly \$12 billion by June 30, 1963, from the total of \$9.8 billion expected to be reached by June 30, 1960. Of the total on June 30, 1963, wheat, corn, other feed grains (oats, barley, and grain sorghums) and cotton add to \$11.2 billion, or 93% of the total of \$11.9 billion expected by June 30, 1963.

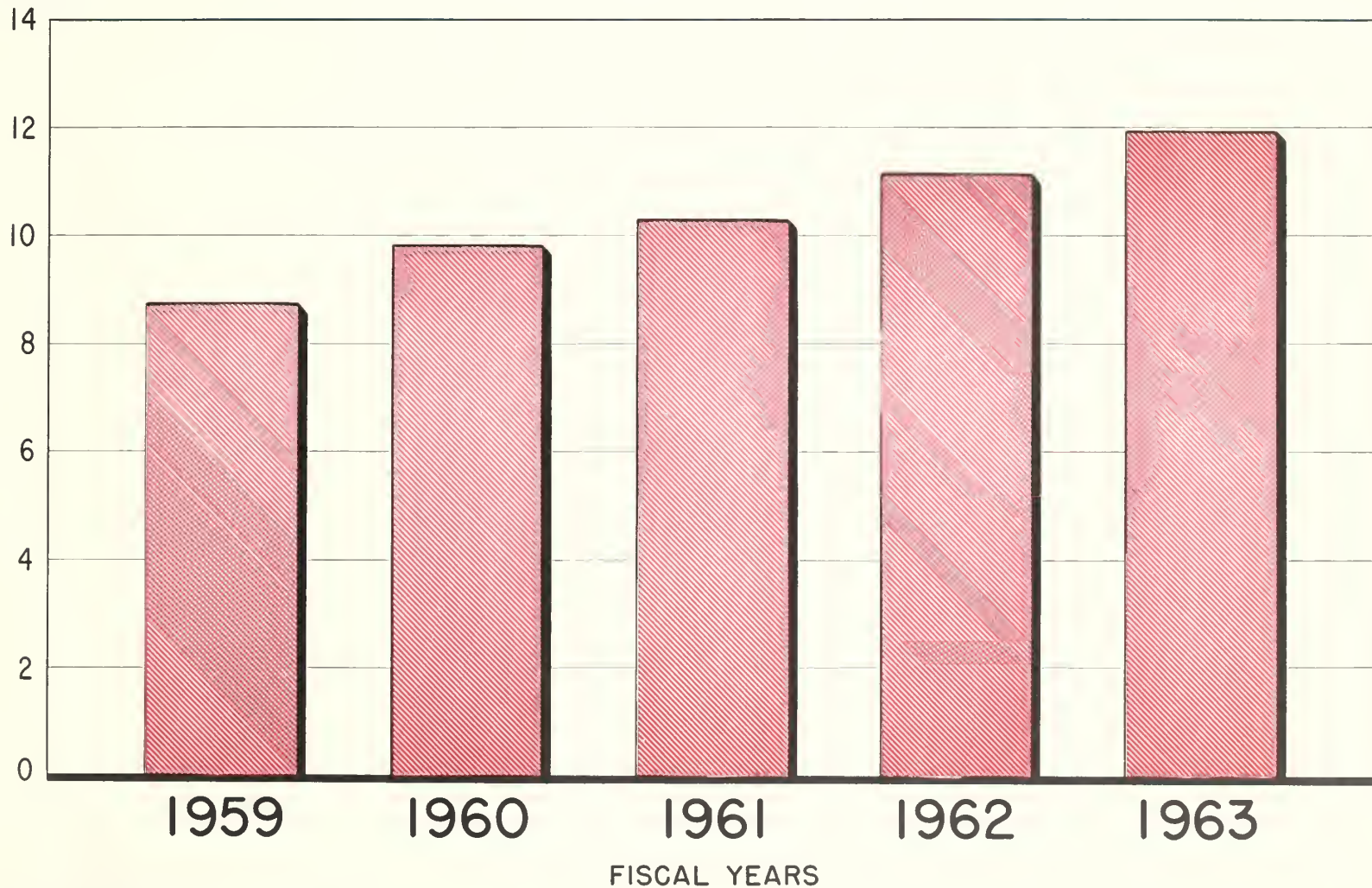
COMMODITY CREDIT CORPORATION

CCC INVESTMENT IN LOANS AND INVENTORIES

CHART 7

(Projected on Basis of Present Legislation)

\$ Billions



Source: U.S. Department of Agriculture



